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Warrant 123 id 1/5/07

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AT SEATTLE  
CLERK U.S. DISTRICT COURT  
BY WESTERN DISTRICT OF WASHINGTON  
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7 07-MJ-00007-CMP  
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10 UNITED STATES DISTRICT COURT  
11 WESTERN DISTRICT OF WASHINGTON  
12 AT SEATTLE

13 UNITED STATES OF AMERICA,

14 Plaintiff,

15 v.

16 SUNG HONG,  
17 aka LAWRENCE HONG

18 Defendant.

19 MAGISTRATE'S DOCKET NO.  
20 CASE NO. 07-007M

21 COMPLAINT for VIOLATION

22 Title 18, United States Code,  
23 Sections 1951(a) and 1343

24 BEFORE the Honorable Monica J. Benton, United States Magistrate Judge,  
25 Seattle, Washington.

26 Count 1  
27 Extortion

28 On or about October 10, 2005, at Kirkland, within the Western District of Washington,  
SUNG HONG, also known as LAWRENCE HONG, did knowingly obstruct, delay, and affect  
commerce in any way and degree by extortion through which he obtained property, that is,  
\$500,000, from another person with that person's consent that was induced by the wrongful  
use of threatened force, violence, and fear, in violation of Title 18, United States Code,  
Section 1951(a).

29 Count 2  
30 Wire Fraud

31 On or about September 12, 2005, within the Western District of Washington, SUNG  
32 HONG, also known as LAWRENCE HONG, having devised a scheme and artifice to defraud,

1 and to obtain money by means of false and fraudulent pretenses, representations, and  
2 promises, did knowingly cause approximately \$25,000 to be transmitted by means of wire in  
3 interstate commerce for the purpose of executing such scheme and artifice, in violation of  
4 Title 18, United States Code, Section 1343.

5

6 The undersigned complainant, being duly sworn, states:

7 1. I, Patrick Garry have been a special agent of the FBI for over ten months. I am  
8 responsible for investigating violations of federal criminal statutes over which the FBI has  
9 investigative jurisdiction, including titles and sections regarding extortion and wire fraud.

10 2. I make this affidavit in support of a Complaint charging SUNG HONG, also  
11 known as LAWRENCE HONG, with Interference With Commerce by Extortion and Wire  
12 Fraud. The statements contained in this affidavit are based on my own investigation and the  
13 investigation of other FBI agents and information related to me by others personally or in  
14 written reports.

15 **Interviews with "WS"**

16 3. On February 22, 2006, FBI Special Agent Joseph Quinn and I interviewed a  
17 person whose initials are WS. I subsequently interviewed WS on a number of occasions  
18 regarding his dealings with HONG. WS advised that HONG induced WS to part with a total  
19 \$800,000. The following is a summary of the information provided by WS:

20 4. WS met HONG in the summer of 2005. WS lived next door to HONG in an  
21 apartment along the waterfront of Lake Washington. HONG resides at 6427 Lake  
22 Washington Boulevard NE, Kirkland, Washington. The two shared a mutual interest in  
23 boating and quickly became friends. HONG told WS that he was an experienced investor in  
24 stock, bonds, and commodity futures. HONG suggested that WS open a futures trading  
25 account with him.

26 5. WS transferred \$50,000 to HONG on August 8, 2005 as part of an investment  
27 partnership between WS and HONG, doing business as H&H GROUP, INC. HONG  
28 promised that WS's investment would be matched dollar for dollar by HONG and that the

1 profits would be split equally between them. HONG also promised that the money would be  
 2 transferred to a joint U.S. Bank account and that WS could have his money returned upon  
 3 demand. Both HONG and WS signed a written agreement regarding this investment  
 4 partnership. WS provided a copy of this agreement dated August 8, 2005.

5 6. On September 9, 2005, WS transferred another \$250,000 to HONG as part of  
 6 the investment partnership to trade a variety of futures and stocks. HONG was to deposit  
 7 \$1,000,000 into the trading account and profits were to be split equally. HONG was required  
 8 to return WS's funds upon demand. HONG and WS signed a second agreement in September  
 9 to reflect the additional investment. WS made additional transfers to HONG of \$100,000 on  
 10 September 13, 2005, \$65,000 on September 19, 2005, and \$35,000 on October 11, 2005.  
 11 These additional transfers were offset by a return of \$200,000 to WS's daughter on October  
 12 11, 2005.

13 7. WS advised that HONG promised to set up a trading account to trade a variety  
 14 of futures and stocks and that WS and WS's daughter would be "joint tenants" on the account.  
 15 HONG had also represented to WS that he was an experienced investor, that he had made a  
 16 significant amount of money in Korea, that his father-in-law was the finance minister of South  
 17 Korea and that he had access to secret information regarding the trading strategies of large  
 18 international investors, including entities owned or controlled by international financier  
 19 George Soros. By mirroring the trading practices of these investors, and through his  
 20 relationship with the Korean Finance Minister, HONG promised that he would be able to  
 21 make virtually risk-free investments with WS's money.

22 8. At the point when WS's overall payments to HONG were \$300,000, WS was  
 23 completely out of cash and began to ask HONG to return some of his money to pay for living  
 24 expenses. HONG told WS that their money was actually tied up with a powerful international  
 25 crime syndicate, referred to as "The Clan," and that it was impossible to get their money  
 26 returned to them. HONG stated that if HONG returned any of the funds to WS, then both  
 27 HONG and WS would be killed by "The Clan." WS advised that HONG repeated these  
 28 threats many times.

1       9. Furthermore, HONG told WS that their families were now in danger, including  
 2 WS's daughter, and that WS had to come up with an additional \$500,000 within five days.  
 3 HONG told WS that if WS did not come up with the additional funds, both WS and WS's  
 4 daughter would be tortured and murdered. Fearing for his own safety and the safety of his  
 5 daughter, WS wired the additional \$500,000 to HONG on October 10, 2005. WS had to  
 6 borrow the money to make this payment. This brought WS's total transfers to HONG up to  
 7 \$800,000. Both WS and HONG signed an agreement reflecting the additional funds.

8       10. HONG also told WS that they were constantly being watched by "The Clan"  
 9 and that they could not tell anyone about their situation without putting their families at risk.  
 10 HONG said that "The Clan" knew the make of the car that WS rented in Hawaii and the place  
 11 where WS was staying. HONG provided those specific details to WS as an example of the  
 12 reach and power of "The Clan." HONG told WS that their houses were bugged and that "The  
 13 Clan" knew everything that they did.

14       11. During the first week of January, 2006, WS's girlfriend confronted WS about  
 15 the money he had transferred to HONG. The following morning, WS told his therapist the  
 16 whole story and his therapist told WS that he had been conned. WS advised that it was at this  
 17 point that he realized that he had been deceived by HONG.

18       12. WS was able to freeze funds in the H & H GROUP Penson account through a  
 19 temporary restraining order issued by the United States District Court, Western District of  
 20 Washington on January 30, 2006. Eventually, WS recovered \$283,677.17 that remained in  
 21 the H & H GROUP Penson accounts.

22       13. WS and his therapist confronted HONG about his activities. HONG initially  
 23 denied any wrongdoing but then admitted to WS that he took advantage of him. HONG  
 24 admitted that "The Clan" story was a falsehood and apologized for his actions. HONG also  
 25 told WS that he would pay WS back. The following day, WS and his therapist met HONG  
 26 and his family at HONG's house to discuss how HONG would repay WS. HONG's mother,  
 27 Hyo S. Hong, told WS that they knew that they owed the money and that they just needed  
 28 some time to get the money from Korea. WS's therapist confirmed that HONG admitted he

1 made up the story about "The Clan" and that WS and WS's daughter were not really in  
2 danger. WS's therapist also confirmed that HONG apologized and promised WS to return his  
3 money.

4 14. WS advised that he was interviewed by an Associated Press reporter and that a  
5 story regarding his dealings with HONG was published in February of 2006.

6 **Written Agreements Between HONG and WS.**

7 15. WS provided a copy of the agreements signed by HONG dated August 8, 2005  
8 and September 9, 2005. On August 8, 2005, HONG initially entered into a written agreement  
9 with WS in which HONG made the following representations:

- 10 i. HONG promised to manage the funds and make investment decisions  
11 with the approval of WS. The agreement states that HONG is doing  
12 business as H&H GROUP, INC.
- 13 ii. HONG represented that WS's contribution would be invested in futures  
14 and stocks.
- 15 iii. HONG represented that WS's contribution would be matched by an equal  
16 contribution from HONG.
- 17 iv. HONG represented that he would make only secure investments that  
18 would limit losses to 10% of the original amount invested.
- 19 v. HONG promised to liquidate WS's share and return his money upon  
20 demand.

21 16. WS advised that HONG and WS entered into a second agreement on September  
22 9, 2005 in which HONG made the following representations:

- 23 i. HONG promised to deposit \$1,000,000 into a trading account with  
24 Penson Financial in the name of H&H GROUP while WS and WS's  
25 daughter would deposit between \$350,000 and \$500,000 into the  
26 partnership. HONG also represented that he would loan the account  
27 \$500,000 to bring WS's share up to \$1,000,000.
- 28 ii. HONG represented that WS's contribution would be invested in futures

and stocks.

iii. HONG promised to return WS's funds upon demand.

iv. HONG represented that he would sign a note and deed of trust on his home on Lake Washington Boulevard in the amount of \$500,00 as security for WS's investment. HONG represented that there were no additional liens or mortgages against his home at 6427 Lake Washington Boulevard NE and that there was adequate equity to protect WS's note and deed of trust.

9        17.    WS and HONG completed an addendum at the end of the second agreement that  
10    specifies the amount transferred by WS to be \$800,000: "As of 10/10/05 this agreement no  
11    longer includes [WS's daughter], and the amount invested is now \$800,000, by [WS]."

12        18. Also, WS provided a copy of a receipt signed by HONG which acknowledges  
13 that HONG received a total of \$800,000 from WS and states that, "These funds are only to be  
14 used for investment in stocks [and] futures in Lawrence's on-line trading account with Penson  
15 Financial Services."

16 | Recorded Conversations

17        19. Because of the threats against his family, WS began to secretly record his  
18 conversations with HONG prior to his contact with the FBI. On February 22, 2006, WS  
19 provided a copy of these recordings to myself and SA Quinn. The recordings discuss "The  
20 Clan" and the threat the organization posed to WS and his daughter. At one point in a  
21 recording made in January, 2006, HONG told WS, "...cuz you got tied up eight hundred  
22 thousand...You know how at one point, you know, you were so tired and you said, 'F---, I just  
23 want to pull out'? The reason why that's a no-no, and you know it, is because we'd be dead.  
24 And you know this... They're not gonna let us go." HONG also said, "If I just needed solely  
25 just the eight hundred thousand, I have partners that I could partner with for the money's  
26 sake... That's not it, I got you in this because ... I need you right now."

27 20. Throughout the recordings, HONG frequently mentions the threat posed by  
28 "The Clan" and their inability to get their money out of the investment partnership due to this

1 threat. The recordings contain numerous references to "The Clan" and describe what will  
 2 happen to WS and his family if WS talks to anyone about "The Clan" or attempts to get his  
 3 money returned. HONG told WS it would be a "slaughterhouse" and that everyone who is  
 4 associated with them is in danger. HONG stated that "Because of what we're doing, I know  
 5 three people for sure... or make it four: my mom, Young, [your daughter] and Don... Those  
 6 four I don't think will ever be safe, if you and I ever screwed up... They will not take a chance  
 7 on blood or family..." .

8 21. On February 25, 2006, I supervised a recording between WS and HONG. This  
 9 recording took place after WS had confronted HONG about his activities and after the  
 10 newspaper article regarding HONG's dealings with WS was published. HONG told WS that  
 11 he wanted to do a refinance on his house and have the money in place before he told WS  
 12 "what really happened." HONG said "What I did to you was already hard enough for me for  
 13 three months... That's the reason I couldn't sleep." HONG told WS that his \$800,000 was  
 14 "guaranteed" and that "Your eight hundred is gonna be given to you in one form or another."  
 15 During this recording, HONG indicated that he did not want to talk about "The Clan." HONG  
 16 stated that "I don't know what got into me... It seems like, unfortunately, I believed into it  
 17 too." HONG made other comments to WS explaining that he was afraid of "The Clan" too.  
 18 When questioned why he would put WS under such stress by mentioning the threat of "The  
 19 Clan," given WS's heart condition, HONG said, "Maybe I didn't think straight on that... I  
 20 don't know what to say to you... Believe it or not it kinda stressed me out too... Even if it may  
 21 be just ...an urban legend thing, I was worried too, for myself." In the recording, HONG  
 22 states that threat of The Clan "wasn't a way of like me getting money out of ya." At one  
 23 point, WS asked HONG, "Do you think that I would have given you the five hundred  
 24 thousand, if I wasn't worried about The Clan killing me?" and HONG replied "I don't know. I  
 25 think ... some of the predictions I gave you were so accurate, that if you planned on doing it, I  
 26 think you would have done it anyway." In the recorded conversation Hong admitted that his  
 27 father-in-law was not really the Finance Minister of South Korea as represented to WS when  
 28 HONG induced WS to invest funds with H & H GROUP.

1     **Bank Records Analysis**

2       22. I have reviewed copies of the financial records and financial analyst reports  
 3 generated from bank records for HONG's checking account number \*\*\*\*\*1263 with U.S.  
 4 Bank as well as his trading account number \*\*\*\*2825 with Penson Financial. The records  
 5 show that funds WS provided to HONG were deposited into HONG's U.S. Bank account, and  
 6 that all funds HONG paid to WS were paid from the U.S. Bank account. In addition, HONG  
 7 transferred some of the money provided by WS from the U.S. Bank account to his brokerage  
 8 account at Penson Financial and transferred some of the Pension Financial money back to the  
 9 U.S. Bank account.

10      23. HONG's U.S. Bank account shows that HONG deposited check number 5184  
 11 from WS for \$50,000 on August 9, 2005. This corresponds to WS's check number 5184 for  
 12 \$50,000 made payable to H&H GROUP INC on August 8, 2005. The memo portion of the  
 13 check reads "Investment in Hong Partnership."

14      24. HONG's U.S. Bank account shows that HONG did not deposit money from any  
 15 other source into his U.S. Bank account in August and that, on August 22, 2005, HONG only  
 16 wired \$24,000 into his trading account with Penson Financial. HONG's bank records show  
 17 that HONG dissipated the remaining funds in his U.S. Bank account, writing personal checks  
 18 amounting to \$21,209.29, including check number 2178 for \$1,000 dated August 15, 2006  
 19 and made payable to Hyo S. Hong, SUNG HONG's mother, making ATM and debit card  
 20 withdrawals of \$3,415.94 and making miscellaneous withdrawals of \$1,923.04. Furthermore,  
 21 HONG wired \$6,000 back from his trading account with Penson Financial to his checking  
 22 account with U.S. Bank on September 1, 2005.

23      25. WS provided copies of the checks made payable to H&H GROUP or  
 24 LAWRENCE SUNG HONG, dated in September 2005, totaling \$415,000. These checks  
 25 included check number 5186, dated September 9, 2005, in the amount of \$250,000 and made  
 26 payable to "Lawrence Sung Hong," check number 5187, dated September 13, 2005, in the  
 27 amount of \$100,000 and made payable to "H&H Group, Inc.," and check number 5189, dated  
 28 September 19, 2005, in the amount of \$65,000 and made payable to "H&H Group, Inc."

1 HONG made corresponding deposits into his U.S. Bank account in September in the amounts  
 2 of \$250,000 on September 9, 2005, \$100,000 on September 13, 2005, and \$65,000 on  
 3 September 19, 2005. HONG's U.S. Bank records confirm that WS's checks are the source of  
 4 HONG's deposits which total \$415,000.00.

5 26. Bank records show that, on September 14, 2005, HONG transferred \$290,000  
 6 into his Penson trading account. HONG's U.S. Bank account activity in September shows a  
 7 beginning balance of \$47.17, deposits totaling \$415,000, other deposits totaling \$8,120, a  
 8 transfer of \$290,000 to HONG's trading account with Penson Financial, debit card  
 9 withdrawals (including ATM withdrawals, ATM fees, and debit card usage) of \$9,402.84,  
 10 miscellaneous withdrawals of \$38,661.82, and checks paid for personal items amounting to  
 11 \$45,853.48.

12 27. HONG's September expenses included a \$25,000 wire made on September 12,  
 13 2005 to Aurora Loan Services, which services HONG's home loan. The funds were  
 14 transmitted via interstate wire from U.S. Bank in Seattle, Washington to the Aurora Loan  
 15 Services account with JP Morgan Chase Bank in New York.

16 28. HONG also wired \$9,825.17 to Aurora Loan Services on September 14, 2005.  
 17 HONG paid Jaguar Credit \$860.00 on September 13, 2005 and paid Mercedes Benz  
 18 \$2,802.99 on September 14, 2005. HONG also wrote check number 5162 for \$10,000, dated  
 19 September 27, 2005 and made payable to Hyo S. Hong, SUNG HONG's mother.

20 29. On August 19, 2005, immediately prior to WS's initial \$50,000 transfer to  
 21 HONG, the balance in the H & H Group Penson account was \$2,399.74 in cash and stock  
 22 options valued at \$6,500. The total value of HONG's Penson account was \$8,899.74 as of  
 23 August 19, 2005. The balance in HONG's futures account with Penson on August 19, 2005  
 24 was zero. Since August 20 through August 21 was a weekend, the balance of \$8,899.74  
 25 remained the same through August 21, 2005.

26 30. From August 21, 2005 to February 14, 2006 HONG made the following  
 27 deposits into his Penson account:

28 08/22/05 \$24,000 From HONG's U.S. Bank Account

1	09/15/05	\$290,000	From HONG's U.S. Bank Account
2	10/27/05	\$350,000	From HONG's U.S. Bank Account
3	<b>TOTAL</b>	<b>\$664,000</b>	

4       31. From August 21, 2005 to February 14, 2006 HONG made the following  
 5 withdrawals from his Penson account:

6	09/1/05	\$6,000	To HONG's U.S. Bank Account
7	11/28/05	\$15,000	To HONG's U.S. Bank Account
8	12/01/05	\$10,000	To HONG's U.S. Bank Account
9	12/09/05	\$5,000	To HONG's U.S. Bank Account
10	12/19/05	\$12,000	To HONG's U.S. Bank Account
11	12/23/05	\$3,000	To HONG's U.S. Bank Account
12	12/29/05	\$15,000	To HONG's U.S. Bank Account
13	01/03/06	\$25,000	To HONG's U.S. Bank Account
14	01/10/06	\$5,000	To HONG's U.S. Bank Account
15	01/13/06	\$5,000	To HONG's U.S. Bank Account
16	01/17/06	\$11,000	To HONG's U.S. Bank Account
17	01/20/06	\$61,000	To HONG's U.S. Bank Account
18	<b>TOTAL</b>	<b>\$173,000</b>	

19       32. HONG used funds on deposit with Penson to trade securities.

20       33. Based on my review of bank records and financial analysts reports generated  
 21 from bank records, I believe that HONG used substantial portions of WS's funds for personal  
 22 expenditures. Furthermore, the analysis of U.S. Bank records and the Penson account records  
 23 indicates that from August 21, 2005 to February 14, 2006, \$664,000 was transferred by  
 24 HONG to the Penson account via interstate wire. In addition HONG transferred \$173,000 via  
 25 interstate wire from the Penson account to HONG's U.S. Bank account.

26       34. From August 21, 2005 to February 28, 2006, records from Hong's U.S. Bank  
 27 account show that HONG depleted all of the funds in the account with the exception of  
 28 \$1,282.55. These expenses included: five payments to Aurora Loan Services totaling

1 \$64,852.88, check number 2162 for \$10,000 payable to HONG's mother, Hyo S. Hong, two  
 2 checks totaling \$19,780.85 payable to Centrum Financial, three checks totaling \$29,914.12  
 3 payable to Equity Funding, check number 2125 payable to the King County Treasury for  
 4 \$10,264.04, debit card payments of \$31,565 to Tulalip Casino, debit card payments of  
 5 \$4,180.97 to Muckleshoot Casino, a debit card payment of \$4,896 to Tiffany & Company,  
 6 other ATM withdrawals of \$16,523.93, two payments to Mercedes-Benz totaling \$5,605.98,  
 7 check number 2446 payable to William, Kastner & Gibbs for \$10,000, check number 2253  
 8 payable to the Han Sarang Church for \$10,000, a wire to the law firm of Hall, Zanzig, Zulauf  
 9 in the amount of \$50,000, a wire to Mi Yae Park in the amount of \$15,000, other checks  
 10 totaling \$81,648.72.

11 35. HONG's U.S. Bank records show the following transfers between HONG and  
 12 WS and/or WS's daughter:

13	08/09/05	\$50,000	Deposit	Check #5184 from WS
14	09/09/05	\$250,000	Deposit	Check #5186 from WS
15	09/13/05	\$100,000	Deposit	Check #5187 from WS
16	09/19/05	\$65,000	Deposit	Check #5189 from WS
17	10/10/05	(\$5,988)	Withdrawal	Check #2229 payable to WS
18	10/10/05	\$400,000	Deposit	Check #503773139 - from WS
19	10/11/05	\$500,000	Deposit	Wire from WS
20	10/11/05	\$35,000	Deposit	Check #5191 from WS
21	10/11/05	(\$200,000)	Withdrawal	Transfer to WS's daughter
22	10/14/05	(\$203,000)	Withdrawal	Transfer to WS
23	01/15/06	(\$10,000)	Withdrawal	Check #2450 payable to WS
24	06/19/06	(\$1,500)	Withdrawal	Check #2270 payable to WS
25	<b>TOTAL</b>	<b>\$979,512</b>		Net Deposits to HONG's U.S. Bank account.

27 **HONG's Association with H & H Group.**

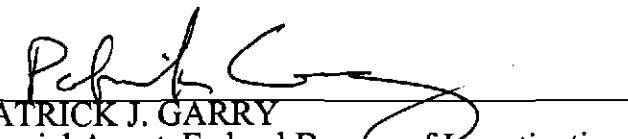
28 36. A internet search of the Washington Secretary of State database showed that

1 SUNG HONG of 6427 Lake Wash Blvd NE, Kirkland, Washington is the registered agent for  
2 H&H GROUP. Senior Investigator John Cipriani of the U.S. Commodities Futures Trading  
3 Commission (CFTC) provided account application documents for Penson Financial that show  
4 HONG to be the President and Director of H&H GROUP.

5

6 **Conclusion**

7 37. Based on the above, I believe there is probable cause to believe that SUNG  
8 HONG, also known as LAWRENCE HONG, committed acts in violation of Title 18, United  
9 States Code, Sections 1951(a) and 1343.

10   
11 PATRICK J. GARRY  
12 Special Agent, Federal Bureau of Investigation

13 Based on the Complaint and Affidavit sworn to before me, and subscribed in my  
14 presence, the Court hereby finds that there is probable cause to believe the defendant  
15 committed the offenses set forth in the Complaint.

16 Dated this 5 day of January, 2007.

18   
19 MONICA J. BENTON  
20 United States Magistrate Judge  
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23  
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